

Message Text

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12

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 CEQ-01

OFA-01 EPA-01 IO-11 NSF-01 /107 W

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R 152300Z MAR 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 9136

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POUCHED ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG, CA, PINT, PFOR

SUBJ: BEAUFORT SEA

REF: A) OTTAWA 890; B) OTTAWA 4178 (NOTAL)

1. IN COURSE OF BRIEF VISIT TO WHITEHORSE, YUKON AND INUVIK, NORTH WEST TERRITORIES, EMBOFF DISCUSSED DOME-BEAUFORT SWA DRILLING PROBLEM WITH VARIOUS GOVERNMENT AND PRIVATE INDIVIDUALS. FOLLOWING SUMMARIZES SEVERAL CONCLUSIONS FRAWN FROM THOSE DISCUSSIONS.

2. DOME FINANCE POSITION: ALTHOUGH DOME HAS INVESTED A SIZE-ABLE AMOUNT IN ITS PROJECTED BEAUFORT SEA DRILLING OPERATION (ONE ESTIMATE IS 120 MILLION DOLLARS), FAILURE TO OBTAIN LICENSE TO DRILL WOULD NOT BE FINANCIAL DISASTER FOR DOME. MOST OF ITS INVESTMENT IS IN TWO DRILL SHIPS WHICH IT HAS PURCHASED; IF IT COULD NOT DRILL, DOME WOULD PROBABLY NOT ENCOUNTER DIFFICULTY IN RESELLING THE VESSELS. ADDITIONAL,

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DOME HAS PUT APPROXIMATELY 500 THOUSAND DOLLARS INTO

RESEARCH AND DEVELOPMENT BUT THIS AMOUNT APPARENTLY HAS BEEN GUARANTEED BY THE GOVERNMENT OF CANADA. THE COMPANY IS A DRILLING OPERATION AND FAILURE TO OBTAIN LICENSE FOR THE BEAUFORT SEA WOULD MEAN IT WOULD SIMPLY MOVE ELSEWHERE TO TRY TO SELL EXPERTISE.

3. HOWEVER, GENERAL OPINION OF DOME IS NOT HIGH AND IT IS CRITICIZED FOR NOT FOLLOWING SUGGESTIONS OF MORE EXPERIENCED COMPANIES. THE ALTTER CONVINCED THAT TECHNOLOGY DOES EXIST FOR DRILLING IN BEAUFORT SEA BUT WOULD URGE THAT GOC SUPERVISE DOME OPERATIONS VERY CLOSELY IF IT IS TO ISSUE LICENSE. OTHERS FEEL THAT EVEN WITH TECHNOLOGY AVAILABLE COST IS TOO HIGH WITH RESULT THAT DOME WILL SKIMP (BEST EXAMPLE IS DOME'S INTENTION TO USE SECOND DRILL SHIP ELSEWHERE IN BEAUFORT SEA RATHER THAN STAND-BY FIRST DRILL SHIP.

4. FINAL POINT MADE WAS THAT FAILURE TO ISSUE LICENSE COULD MEAN AN END TO ALL OIL DRILLING OPERATIONS IN THAT AREA. INUVIK ALREADY SUFFERING FROM CONSIDERABLE SLOWDOWN IN OIL COMPANY ACTIVIITY. DRILLING IN THAT ENVIRONMENT IS EXCEEDINGLY EXPENSIVE AND OF QUESTIONABLE VALUE GIVEN GOC INDECISION ON PIPELINE. ONLY REMAINING UNEXPLORED AREA IS OPEN SEA AND IF GOC SHOULD REFUSE PERMISSION FOR THAT, OTHER COMPANIES MAY WELL CLOSE UP OPERATIONS. "IT CAN COST 40 MILLION DOLLARS TO DRILL A WELL HERE COMPARED TO 500 THOUSAND IN ALBERTA. SO WHY SHOULD WE STAY HERE,"

5. PIPELINE ROUTE; THERE IS GREAT CONCERN REGARDING GOC PENDING DECISION RE MACKENZIE VALLEY PIPELINE. BERGER INQUIRY SUGGESTION THAT SERIOUD STUDY BE GIVEN TO ALTERNATE ROUTE OF INUVIK-PRUDHOE BAY -FAIRBANKS-ALASKA HIGHWAY- EDMONTON IS BEING DISCUSSED EXTENSIVELY, WITH OIL AND GAS COMPANIES OPPOSED, BUT WITH OTHERS ATTRACTED TO THE IDEA. AGAIN, GOC INDECISION AND "INEPTITUDE" IS CAUSING REAL PROBLEM AND CONTRIBUTING TO ECONOMIC DECLINE IN INUVIK AREA.

6. NATIVE CLAIMS: INUIT (ESKIMOS) PROPOSALS FOR NORTHERN LIMITED OFFICIAL USE

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TERRITORIES (REFTEL A) ENDORSED BY OIL AND GAS COMPANIES AND OTHER INTERESTS IN THE NORTH. SENTIMENT IS THAT OTTAWA SHOULD ACCEPT PROPOSALS AS FAIR AND FORWARD LOOKING. ON THE OTHERHAND, THERE IS GENERAL UNHAPPINESS WITH WAY INDIAN BROTHERHOOD HAS PROCEEDED UNDER ADVICE OF "SOUTHERNER" MEL WATKINS (REF B)

7. AIRGRAM FOLLOWS.

ENDERS

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Message Attributes

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